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Suez Canal Spurs East-West Farm Trade

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This week's cover:

Plant pathologists work with new rice varieties at the International Rice Research Institute at Los Banos, the Philippines. Philippine rice and corn crops are both headed for a rise in 1975/76, while wheat imports could rebound to earlier levels. See article, page 12.

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The Suez connection:

Canal Reopening Spurs East-West Farm Trade

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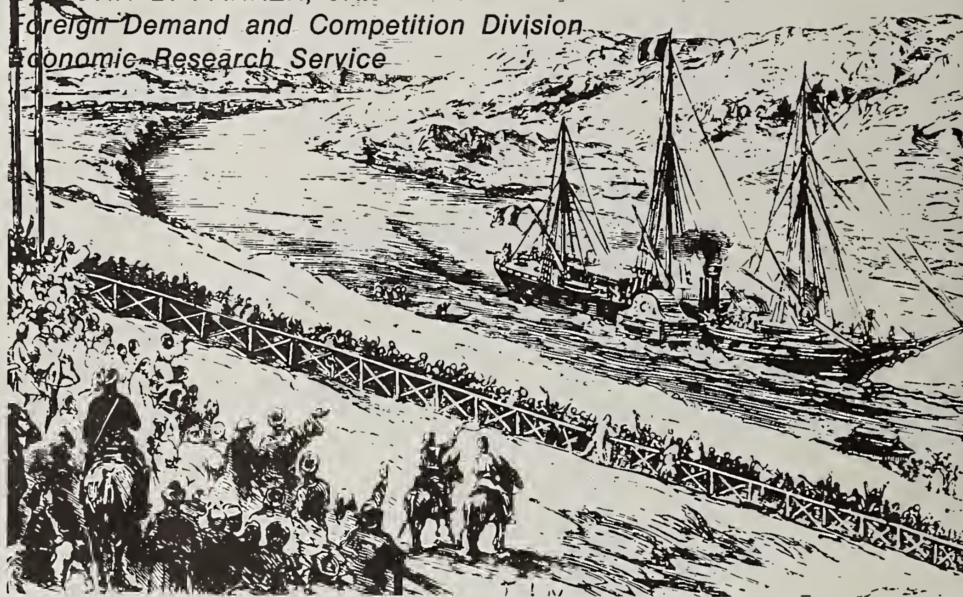


LIFE RETURNED to the Suez Canal on June 5—an event hailed by virtually all of the world's trading nations. After 7 years of inactivity, the canal reawoke to a new era in East-West trade, one in which it is destined to play an important role. And a large part of this role will be to speed the exchange of food products among the countries of the world.

What then does the canal's reopening mean in terms of U.S. agricultural trade? First and foremost, transportation is cheaper and faster for the U.S. grains and other farm products now moving vigorously to top growth markets—Iran, Iraq, India, and the oil-rich Arabian Peninsula. On the coin's other side, European countries, Canada, and some other competing, food-exporting nations are enjoying similar transport benefits, and are also increasing their farm exports.

The canal's opening has already reinforced the growth surge in U.S. farm sales to the Mideast and Asia by making U.S. products more competitive with those of other, closer suppliers.

Rice is a good example. When the Suez Canal closed in 1967, Pakistan became the major supplier of rice to the Arabian Peninsula, partly because of quick delivery and much lower transportation costs. In 1974, Thailand also reaped a big share of the Arab rice market.

Now, however, the U.S. share is fast on the rise. U.S. exporters are able to deliver long-grain rice to such countries as Saudi Arabia at competitive prices—lower than those quoted for high grades of Pakistan's basmati rice.

U.S. rice sales to Iran, Iraq, and Kuwait are similarly enjoying a growth spurt. Sales catapulted to a record-breaking 544,000 tons in fiscal 1974/75 (July-June) from just 33,000 tons in 1973/74. In 1975/76, Iran could again purchase over 460,000 tons of U.S. rice, while Iraq's purchases could be double the 110,000 tons of last season.

Other U.S. farm commodities—wheat, wheat flour, and processed foods—are likely to show equally strong growth to Iraq and Arabian Peninsula countries in the next year—bolstered by the canal link. The oil rich Mideast nations are emerging as important takers of U.S. farm products, purchasing a record $1.8 billion in 1974/75—$1.1 billion above the previous year. Total U.S. farm exports rose only $300 million in 1974/75 to $21.6 billion, so that this growth more than offset the falloff in U.S. sales to Europe.

Lower transportation costs for wheat

Egyptian ship, above, led first convoy through the reopened Suez Canal in 1974. French yacht, Aigle, *left, was first through in 1869.*

and coarse grains from the United States, Canada, and the European Community now favor these suppliers. They also reduce the advantage previously enjoyed by Australia for wheat and Thailand for corn in South Asia and Arab nations.

The new waterway will help to fuel a boom in European food exports to Asia that was underway when the canal opened. The cost saving is considerable. Wheat and wheat flour, for instance, shipped from Rotterdam via the Cape of Good Hope to Bombay, cost about $15.40 per metric ton. Routed through the canal, the same shipments cost $9.22 per ton—a sizable $6.18 difference. As a result, when the European Community sold a million tons of wheat to India in late 1974, delivery of most was delayed until the Suez Canal reopened.

Other European products are also benefiting from lower shipping costs and speedier deliveries. France and the Netherlands, for example, have greatly expanded their wheat flour sales to the Arabian Peninsula, East Africa, and Sri Lanka—helped too by the EC subsidy on wheat flour exports.

In other examples, Denmark's exports of frozen poultry and dairy products to the Arabian Peninsula and Iran increased sharply in 1974 and continue upward in 1975. Dutch sales of frozen poultry, milk products, and wheat flour to the Arabian Peninsula rose markedly in 1974 and are still going strong. French exports of frozen poultry to Iraq alone in 1975 will surpass 10,000 tons—exceeding French poultry sales to all Mideast markets last year.

As a result of this trade expansion, the flow of agricultural commodities moving southward through the canal in 1975/76 is projected to be greater than in the busiest years of the 1960's. Southbound shipments of North American and European grain alone could reach 10 million tons.

The Suez Canal, of course, is a two-way shortcut—facilitating trade flows westward from Asia, East Africa, and Oceania to the markets of Europe and North America.

Northbound traffic of agricultural goods through the Suez Canal is apt to be as vigorous as southward movements—fueled by booming Asian exports of oilseeds and products, tobacco, and tropical products destined for Europe and other markets.

Shippers of grains and other farm products to Asia via the canal will thus have little trouble finding ample cargo for the return voyage.

Beneficiaries of the shortened route will include India, the People's Republic of China (PRC), Thailand, Malaysia, Indonesia, the Philippines, and South Korea—all of which are expanding their agricultural exports to the west.

For China, the convenience of shipping via the canal is likely to facilitate trade with Western Europe. China's exports of rice, peanuts, tea, tung oil, and various food specialties to Europe are likely to rise. In return, European dairy products, wheat, and fertilizer can be sent more quickly to China.

Exports of Malaysian palm oil and rubber are likely to benefit. Indonesian exports of coffee and cigar tobacco can now be delivered more cheaply to Europe, competing more strongly with Latin American suppliers.

The canal should also have a marked influence on India's growing agricultural exports, which could total $1.6 billion in 1975—double the 1972 level. Easier access to world markets will benefit India's rising sales of tea, tobacco, coffee, and processed foods. Also, much large peanutmeal sales to the EC are in view, bolstered by prospects for a good peanut crop, which could push total peanutmeal exports over $200 million in 1975/76.

India's sugar exports—already moving strongly to Iran and the Arabian Peninsula—will now be followed by larger deliveries of refined sugar to Mediterranean and Adriatic ports—i.e. Alexandria, Algiers, Latikia, Trieste. And India plans to send about 300,000 tons of refined sugar to the Soviet Union and about 50,000 tons to new markets in Europe in 1975/76 via the Suez Canal.

With the canal's reopening, farm exports from India and Pakistan to the Soviet Union and Eastern Europe under trade agreements are likely to increase, with the USSR furnishing petroleum and industrial products in return. Also, fertilizer shipments originating in the EC, Eastern Europe, and the USSR will move more cheaply to India, as well as markets in Pakistan, Bangladesh, and Indonesia, through the convenient canal route.

The canal's reopening will benefit Egypt the most. Egypt expects to earn almost $500 million annually in tolls alone, which are now almost twice the 1967 level. Oil tankers now pay $2 per metric ton of cargo; all other loaded ships pay $1.60 per metric ton.

And toll revenues are only part of the story. The rebuilding of Port Said, Suez, and Ismalia will encourage new industries near these revitalized ports. Foreign investments in industry, apartments, banks, pipelines, shops, and shipping facilities are expected to generate an inflow of over $1 billion in foreign exchange annually.

Egypt plans new soybean crushing facilities, food packaging industries, and transit trade operations. These should result in some interesting additions to U.S. farm exports to Egypt—possibly pushing value over $500 million in 1975/76 compared with $388 million in 1974/75.

When the Suez Canal closed in 1967, shipping lines serving trade routes increased their rates for transporting most farm products. Higher rates imposed in 1967 remained and were adjusted upward during periods of heavy demand for ocean transportation services.

Between 1967 and early 1975, shipping costs between the United Kingdom and ports on the Red Sea increased 40 to 50 percent, and those for shipments from the Persian Gulf by about 25 percent, South Asia by 17.5 percent, and Australia by 5 percent. This provides a rough guide to the areas that will benefit the most from reopening of the canal—apparently South Asia, Iran, Iraq, the Arabian Peninsula, and East Africa.

The closure of the canal in June 1967 not only increased transportation costs and delayed deliveries, but altered the comparative trade advantages of some countries' commodities. The effects on individual countries varied, depending

The Suez Saga—Past and Present

The Suez Canal has its origins in earliest history. A canal connecting the Nile Delta with the Red Sea was first excavated in the 13th century, B.C.—probably by Egyptian slave laborers during the reign of Seti I or Rameses II. The waterway was largely neglected for the next 1,000 years, however, and was finally abandoned in about the 8th century, A.D.

Not until the mid-1800's was the canal scheme revived. A capital stock company was formed with authority to cut a canal and operate it for 99 years. Construction began in 1859 and the canal, which cost $100 million to build, opened to navigation 10 years later. Although the earlier passages had merely connected the Nile and Red Sea, the 107-mile-long Suez is the first to traverse the entire Isthmus of Suez and connect the Red Sea directly with the Mediterranean.

The opening of the Suez Canal in 1869 shortened the sea voyage between the Far East and Europe by about 5,000 miles. The distance from London to Abadan, Iran, around Africa, for instance, is 11,300 miles, and via the canal just 6,500 miles. The savings in distance between other areas is also impressive: 80 percent between Odessa, USSR, and Bombay, India; over a half between London and Kuwait; and about a third between Rotterdam and Tokyo.

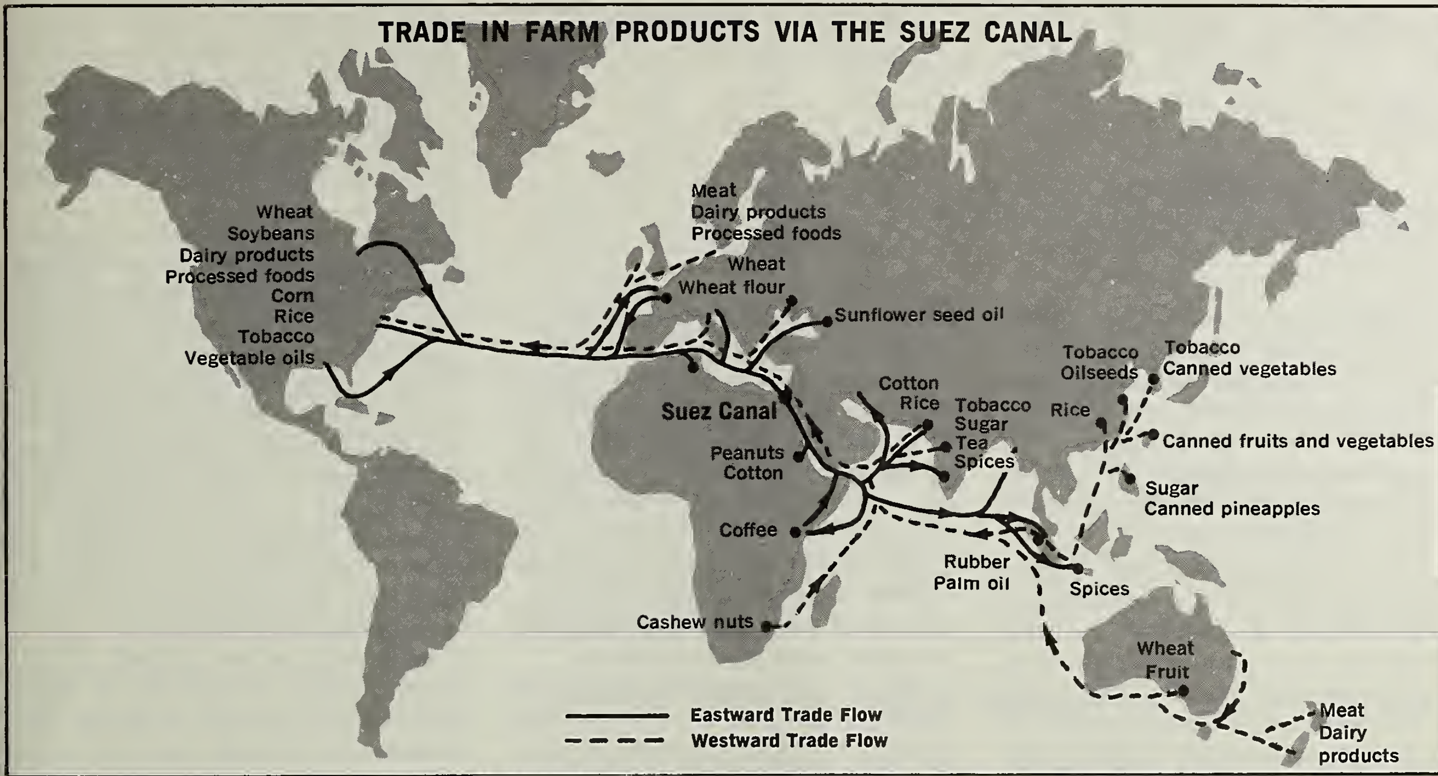
The strategic location of the Suez Canal has made it a center of international concern—and sometimes conflict—for many years. By international convention, the canal is open to vessels of all nations in peace or in war. During the 1948 war between Israel and the Arab states, vessels en route to Israel were denied access to the canal, an issue that exploded into warfare again in 1956, when Egypt nationalized the canal. Retaliating against French and British military forces, Egypt sank 40 ships in the canal, effectively blocking it.

The canal reopened in March 1957, after the sunken ships were removed by a United Nations' salvage team. But outbreak of the Six-Day War between the Arab nations and Israel in June 1967 again resulted in blockage of the canal by scuttled ships—and the canal remained closed for 7 years until the extensive salvage operations necessary were again completed.

In the last few years before 1967, over 20,000 ships a year passed through the Suez Canal, carrying some 240 million tons of cargo annually. Before World War II, the major share of the canal's traffic was dry cargo—accounting for over three-fourths of the total.

After the War, the expansion of petroleum production in the Mideast—caused mainly by higher oil consumption in Western Europe—changed the traffic pattern of the canal, with tankers then accounting for 70 percent of the traffic. Between 1956 and 1966, petroleum traffic grew at an average annual rate of 10 percent, while dry cargo grew by just 5.8 percent.

Now, however, the use of the canal by oil tankers will probably remain well below these earlier levels. The 250,000-ton supertankers, which dominate the transportation of crude oil, will continue to go around Africa. But canal movement of food products—many of which are transported in smaller ships—will rise, responding also to ballooning demand for agricultural products.



on location and trade pattern.

A United Nations' study indicates that higher world transportation costs because of the canal's closure, plus resulting trade losses and economic costs, amounted to $8.7 billion during June 1967-early 1975. While most regions of the world were adversely affected, the heaviest losses were borne by exporters in South Asia and East Africa.

Consumers of imported products in the Arabian Peninsula were also hard hit. For example, shoppers in Jidda, Saudi Arabia, now pay $1.80 per dozen for eggs. Soon, deliveries from Lebanon and Bulgaria via the canal will bring egg prices below $1 a dozen.

One effect of the canal's reopening will be to hasten the modernization of Mideast and Asian ports. In the last year or so, the growing volume of agricultural imports has clogged ports and strained habor storage facilities throughout India and the Mideast. India, for instance, was forced to delay imports of a million tons of wheat in 1974/75 because of port problems.

New programs now underway to modernize ports and build new ones will help to ease current bottlenecks for surging food imports. Port projects have been initiated from Aquaba, Jordan, to Calcutta, India. Many of the rebuilding contracts have been awarded to nations that suffered severe trade deficits in 1974 and early 1975 from the necessity of importing high-priced petroleum.

Italy, for instance, was recently awarded a $1-billion contract to build port facilities in Iran, primarily at Bandar Abbas. South Korea has contracts to build three ports in Iran for about $750 million and contracts for over $400 million for ports and roads in Saudi Arabia. Yugoslavia has contracts for almost $1 billion to build ports, storage facilities, and roads in Iraq. India has contracts for ports and food storage facilities in Iran, Oman, and the United Arab Emirates.

There are two types of ports in the Mideast—national ports and ports predominately used for goods in transit to other countries.

Important national ports where expansion is underway include Alexandria, Egypt; Jidda and Damman, Saudi Arabia; Basra, Iraq; Abadan, Bandar Abbas, and Khorromshahr, Iran; and Kuwait.

Transit ports being improved include Dubai, a hub of transit trade in the United Arab Emirates, which is a major sources of imported food for Oman, Qatar, and eastern Saudia Arabia. Bahrain is also a center for transit of processed foods to the Arabian Peninsula, although transit trade has declined as imports for local use have increased.

Opening of the Suez Canal will bring a boom in activities for Jordan's port of Aqaba. New facilities will allow rice supplies purchased by Saudi Arabia and Iraq to be unloaded and stored there. Then, they can be transported by land to final destinations.

Yemen Arab Republic has received considerable aid from the USSR for expanding and modernizing port facilities at Hodeida and Moccha. New shipping schedules, including regular deliveries by refrigerated ships, will result in a marked rise of imports of dairy products, meat, and processed food by Yemen.

Congestion at Jidda has caused Saudi Arabia to plan new port facilities for ocean vessels at Yanbo and Jizan on the Red Sea. Also, the new naval base at Jubail on the Persian Gulf will have port facilities for unloading grain and frozen foods.

New flour mills at Jidda and Damman, Saudi Arabia, are scheduled to open in 1978. New flour mills recently opened in Bahrain, Qatar, and United Arab Emirates. U.S. exports of wheat for these mills will be much more likely because of lower transportation costs through the Suez Canal.

Port Sudan, Sudan; and Aden, main port of the People's Democratic Republic of Yemen; expect to strong rebound in activity as traffic through the canal increases. Port Sudan will again be a center for growing African exports of cotton and oilseeds to Europe.

FAR EAST COTTON MARKET

PART 1—JAPAN

By LYLE J. SEBRANEK
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PERSISTENTLY HIGH U.S. cotton prices, combined with the uncertainty of future textile demand, and the prospect of ample world cotton supplies, continue to threaten future U.S. sales prospects to the large Far Eastern markets of Japan, South Korea, Taiwan, and Hong Kong.[1]

While current cotton-buying activity in these markets can generally be characterized as cautious, the relatively low prices for cotton yarn and the consistently higher price of U.S. cotton —in recent months averaging some 3-6 U.S. cents above foreign growths—continue to make U.S. cotton relatively unattractive to mill operators.

The United States supplied an estimated 40 percent of this 5.2-million-bale market in 1974/75[2] and nearly 50 percent of the more than 6 million bales imported in 1973/74. In the absence of more competitive U.S. prices, U.S. exports this season could drop back below the 35-percent level of earlier years. In response to the current demand-price situation, Far Eastern cotton buyers have made sporadic purchases from assorted origins to satisfy most of their near-term cotton import requirements.

At present, Hong Kong mills seem to be in the best position to sustain themselves through the current textile recession. Order books for lower count denims were reported to be full past the end of the year, with most mills operating profitably.

In Korea, a number of mills are running at near full capacity. At the same time, however, most mills were selling yarn at below cost due to the high-priced cotton they still had in stock. A shortage of credit and increasingly restrictive textile import measures being adopted by South Korea's major markets were cited as the industry's biggest problems.

Mills in Taiwan were still plagued with excess spinning capacity and were contemplating increasing production cutbacks to 30 percent in view of the continued generally dull export market. One bright spot from Taiwan's point of view is that its relatively cheap pool of labor and new, efficient textile equipment place it in a good competitive position when world demand picks up.

Of the four countries visited, the mood in Japan seemed to be the most pessimistic. Recent attempts to stimulate the economy had still not produced the desired results and with consumers still saving at record levels, the general feeling was that significant textile demand improvement would not come much before mid-1976.

The recession which began in mid-1973 is still in evidence, outlasting any similar experience by the Japanese industry since World War II. At present, mills are reportedly operating at about 80 percent of capacity, with recent increases in the number of operating cotton spindles attributable mainly to the suspension, since May 30, of the Government-sanctioned yarn-production curtailment scheme.

The current feeling among spinners and traders is that cotton consumption this season will show a limited increase of around 5-8 percent (150,000-250,000 bales), with any sustained or meaningful recovery not expected before mid-1976. The projected increase in consumption this season is predicated on the assumption that operating spindleage devoted to cotton will continue at around the 6-percent higher level of August (compared with May) and that the efficiency and the number of hours worked will increase over last season's. In response to improved blended yarn prices, an estimated 100,000 extra bales of cotton will be used in spinning blends this season.

Since early in the year, Japanese traders and mills have tended toward the view that world cotton supplies would continue to be ample despite prospective world production declines. This surplus supply outlook, coupled with weak demand for most textiles, tight money, and high domestic cotton stocks, has kept raw-cotton order books short.

A Japanese cotton trader's compilation through July 1975 of outstanding purchases for cotton, negotiated for delivery within the next year, indicated total deliveries for the 1975/76 season at only 1.2 million bales, or less than 50 percent of projected requirements. This compares with nearly 100 percent of anticipated needs purchased in the same period in 1974, indicating the continued reluctance of Japanese mills to overcommit themselves. Prudent buying at the best price continues to be in prospect for future months.

In this respect, the high price of U.S. cotton is likely to limit sales to Japan this season. A number of spinners and traders have indicated that U.S. prices for medium-staple cotton are currently 3-6 cents per pound too high, and that unless U.S. prices were reduced, or the margin between other growths narrowed, total imports of U.S. cotton could be as low as 900,000 bales in 1975/76. This would compare with 1.1 million bales imported last season and 1.3 million in 1973/74.

IN ADDITION TO high f.o.b. prices, high freight rates were the most common complaint regarding U.S. cotton. The conference rate from west coast U.S. ports to Osaka of around 6 cents per pound are compared by Japanese sources with the 4½ cent rate from Brazil and the approximately 3-cents-per-pound rate from Pakistan. Spinners generally felt that U.S. cotton would not decline in price and that only a stronger demand and improved yarn prices would revive U.S. purchases. Because of their familiarity with U.S. cotton and the reliability of supply, however, Japanese mills reportedly are generally willing to pay a small premium for U.S. cotton.

Through the second week of October, U.S. commitments to Japan for 1975/76 delivery totaled 576,000 bales, versus around 1.1 million for the same period last year, with only minimal new sales in the 6-week period prior to October 12. Japanese merchants in recent weeks have also reportedly negotiated the buy-back of some earlier purchases.

[1] Mr. Sebranek's conclusions are based on a trip to the Far East, August 29-September 19, 1975. This article will cover activities in the Japanese market. An article in the November 10 issue will cover South Korea, Taiwan, and Hong Kong. [2] Split years are marketing years, August 1-July 31.

Sporadic purchasing of various assorted unfamiliar growths has been a feature of Japanese raw cotton buying in recent months. Paraguay, Bolivia, Argentina, and the PRC sold cotton to Japan in the last months of the 1974/75 season. Imports of Soviet cotton are expected to increase somewhat in 1975/76 from the 520,000 bales imported in 1974/75. Purchases of Russian cotton are ordinarily tied to a subsequent resale of textiles. Some of the Russian cotton purchased during the 1974/75 season was reportedly reexported.

Total reexports by the Japanese in 1974/75 are believed to have exceeded 200,000 bales.

Total yarn stocks by mid-1975, while at their lowest point in over a year, were still some 25 percent above the more nearly normal levels of early 1973. Spinner stocks, although still somewhat burdensome, had declined 30 percent during the 5-month curtailment period ending in May 1975. Yarn stocks at weavers, knitters, and wholesalers, however, have not—as yet—shown much improvement and this lack of recovery continues to dampen cotton consumption increases.

The problem of textile imports is the one most often referred to by the Japanese textile industry. Imports of textile products exceeded exports for the first time in 1973. Although imports were at a low level during 1974 because of slack economic conditions and low domestic yarn quotes, they may strengthen as any resurgence of the domestic economy and consumer spending will invite a corresponding rise in purchases of lower priced imports from neighboring South Korea, Taiwan, and Hong Kong. This would inhibit the full recovery of the Japanese textile industry.

In an effort to stem the import tide, persistent industry requests have been made to the Ministry of International Trade and Industry (MITI) for a more restrictive posture on textile imports. In response, MITI has organized the Textile Demand and Supply Deliberative Council, composed of people from various segments of the textile industry, to study possible changes in the import tariffs and bilateral textile agreements with exporter countries. However, the Government thus far has been reluctant to change its traditional liberal import policy.

At present, the industry has an estimated 11.7 million spindles in place with plans to scrap some 1.4 million over the next 1-3 years. Member mills of the Japan Spinners Association, which represent around 90 percent of total production, were reportedly operating around 80 percent of their 9.7 million spindles in mid-1975, compared with near full capacity operation the year before.

Operating cotton spindles totaled around 4.8 million in July—compared with around 5.4 million the previous year—and 4.5 million following the lifting of the production-curtailment scheme in May. Cotton currently accounts for around 45 percent of total yarn and fabric production.

Apparently only a small portion of yarn production by individual mills is produced with firm orders in hand. Most mills produce for the open market, with a good deal of marketing assistance from trading companies. A number of the large mills have either an integrated spinning-weaving operation or an affiliated but detached weaving sector, but sell some 20 percent or more of their yarn production in the open market. A similar or higher proportion of their yarn needs is obtained on the open market, perhaps from a number of smaller spinners producing various yarn counts.

Tradesmen recognize that producing yarn without a specific demand can be hazardous for the industry, as witness the huge stocks of yarn accumulated in 1973/74 at the mill level.

However in normal times, individual mills apparently are able to sell yarn in the open market by reducing prices.

DANISH TARIFFS CHECK BUYING OF U.S. TOBACCO

Denmark's rising tobacco tariffs and the European Community's economic barriers to imported tobacco are reducing Danish consumption of U.S. leaf, although a short-term improvement in this trade may occur during 1975 as a result of stock maintenance.

The long-term outlook for U.S. sales of tobacco to Denmark is not good. Although 1975 Danish cigarette production will likely match that of 1974, consumption of U.S. leaf may slip further.

The current decline in consumption of Danish cigarettes may end in 1975 if consumer disposable income increases and if taxes on cigarette tobacco for home rolling increase.

Leaf consumption for Danish cigars also is expected to decline as production is reduced. Pipe tobacco consumption will continue its downtrend, and cigarette tobacco sales may decline as a result of the proposed higher taxes.

These developments point to total Danish leaf utilization this year close to the 1974 level of 14,626 tons. With the continuing increases in tariffs of 20 percent per year, importers will likely maintain maximum stock levels of U.S. tobacco through 1975. As a result, imports from the United States in 1975 may approximately match 1974 shipments, even though prospects for the longer term are discouraging.

Denmark's imports of U.S. tobacco declined to 5,866 metric tons in 1974, while total leaf imports declined to 13,744 tons. The U.S. market share dropped to 43 percent from 59 percent in 1973. Brazil maintained a 17 percent share, while Africa's share advanced from 11 to 18 percent.

Imports of cigarettes into Denmark declined 32 percent in 1974 to 800 million, with the United States taking 35 percent of the market and replacing Sweden as the prime supplier. Imports of cigars, cheroots, and cigarillos declined to 22 million, with the United States supplying 200,000, the same quantity as in 1973.

Danish exports of cigarettes were off slightly at 900 million, and shipments are expected to decline slightly during 1974. Exports of pipe tobacco remained at the 1,200 ton level, with the United States an increasing market.

Cigarette production in Denmark declined slightly in 1974 to 8.4 billion, as consumption of cigarette tobacco for home rolling rose from 200 tons to 760 tons. Consumption of cigarettes declined 500 million to 6.7 billion, and cigar consumption fell 7 percent to 844 million.

The Danish tobacco industry (10 factories in 1974) is dominated by the Scandinavian Tobacco Co., which merged with Nordisk BAT in 1972. Scandinavian Tobacco is the sole cigarette producer in Denmark and has about 34 percent of the pipe tobacco market.

—Based on report from
Office of U.S. Agricultural Attaché
Copenhagen

World Grain Situation Expected To Remain Tight

THE WORLD'S 1975/76 total wheat and coarse-grain harvest is now projected to be 951.4 million metric tons —30.5 million tons or 3.3 percent higher than that of 1974/75.

A record crop of 241 million tons is currently forecast for the United States, representing a jump of 41.9 million tons over last year's abnormally low production.

However, total production outside the United States is expected to fall by 11.4 million tons, with an 18.7-million-ton decline in Soviet production the principal contributing factor to that decline.

World production excluding the United States and the USSR is currently projected to increase by 7.3 million tons, with lower European production more than offset by anticipated higher production in competing export countries and such major importing countries as India, Brazil, and the People's Republic of China.

Unfavorable economic conditions in many industrialized countries and associated declines in consumer disposable income—particularly for food—have tended to interrupt the long-term worldwide uptrend in the consumption of fed livestock products.

Utilization estimates for grain in countries other than the USSR currently show a modest increase for 1975/76 over the sharp reduction experienced in 1974/75.

However, if the decline in consumer demand for livestock products continues, even these moderate increases in grain utilization may not occur.

World trade in grains, because of production shortfalls in major importing areas and projected higher import demand in these areas plus good harvests in some primary exporting nations, is now projected to be 151.7 million tons—an increase of 14.8 million tons (10.8 percent) over the 1974/75 level.

Higher U.S. exports will likely account for some 90 percent of that increase, while short harvests and growing demand for grain-fed livestock products in Eastern Europe and the USSR make those areas primarily responsible for the higher world import levels.

Western Europe's imports will likely remain the same as in 1974/75, with sharply lower 1975/76 crop expectations mainly offset by a drawdown of stocks from the excess accumulation of 1974/75.

Optimistic early season expectations of an appreciable recovery in low world grain stocks have been largely eliminated with the poor harvests in some major producing areas.

The anticipated record production in the United States could enable U.S. ending stocks for 1975/76 to jump more than 50 percent over last year's ending stocks of only 21 million tons —assuming currently projected exports and consumption levels remain constant.

However, with the sharp stock drawdown expected in Western Europe, total ending foreign stocks are now projected to fall almost 25 percent from last year's level. The net result is that the world's ending wheat and coarse-grain stocks for 1975/76 are presently expected to remain unchanged from those on hand in the 1974/75 period.

WORLD GRAIN SITUATION

Item	1973/74	1974/75	1975/76
		Hectares	
Area			
United States	63.7	67.3	70.0
USSR	115.4	116.1	117.5
Other foreign	321.5	323.4	328.4
World	500.6	506.8	515.9
		Quintals/hectares	
Yield			
United States	36.6	29.4	35.1
USSR	17.9	15.6	13.8
Other foreign	16.7	16.7	16.7
World	19.5	18.2	18.4
		Million metric tons	
Production			
United States	233.0	199.1	241.0
USSR	206.3	180.7	162.0
Other foreign	537.3	541.1	548.4
World	976.6	920.9	951.4
Consumption			
United States	176.2	141.7	152.7
USSR	198.9	189.9	187.0
Other foreign	599.6	599.2	611.7
World	974.7	930.8	951.4
Exports			
United States	74.7	62.6	77.0
USSR	5.9	5.0	2.0
Other foreign	65.6	69.3	72.7
World	146.2	136.9	151.7
Ending stocks			
United States	27.0	21.0	32.2
USSR	21.0	12.0	10.0
Other foreign	62.0	67.1	57.9
World	110.0	100.1	100.1

If there is to be some recovery in worldwide grain stocks by the end of 1975/76, its magnitude will likely depend on three main factors:

- Recovery of demand for fed-livestock products, espectially in the United States, where an 11-million-ton increase over 1974/75 demand is presently forecast;
- Amount of any possible decline in Soviet grain usage as a result of poor crops and limited availability from foreign sources;
- Size of grain crops in the Southern Hemisphere, particularly the Argentine and Australian wheat crops to be harvested in December 1975, and the Argentine, South African, Australian, and Brazilian feedgrain crops, most of which are to be harvested in February-May 1976.

With a record world rice crop of at least 341 million tons (paddy) for 1975/76 now almost assured, worldwide rice stocks are expected to build somewhat in calendar 1976.

But increased stock level in South Korea and Iran could make these countries less aggressive buyers than they have been this year, and while low prices may cause a few countries to increase their purchases of rice, 1976 world trade volume could decline from this year's level.

Most exporters, meanwhile, are expected to maintain supplies at or above 1975 levels, with U.S. availabilities up at least 15 percent.

For additional details, see *Foreign Agriculture Circular* FG 12-75.

Loan To Aid Mexico's Drive Against Ticks

The Inter-American Bank has approved a $35 million loan to help Mexico speed up its national cattle-tick campaign.

The loan was extended to the Nacional Financiera, S.A., the Mexican Government agency charged with negotiating foreign loans, and will be used by the Banco Nacional de Credito Rural, S.A., through the Trust for the National Campaign Against Cattle Ticks to free approximately 163 million acres and 11.7 million head of livestock from ticks and to grant approximately 4,200 credits to small farmers to enable them to build communal tick dips and associated facilities.

Assistant Secretary Bell discusses

The U.S.-USSR Grain Pact— What It Means to U.S. Trade

Now that a U.S.-USSR grain accord has been concluded, exporters might sell another 5-7 million metric tons of 1975-crop U.S. corn and wheat to the Soviet Union, according to Assistant Secretary of Agriculture Richard E. Bell in a press briefing on the new agreement. Together with the 10 million tons of U.S. grain already sold, plus purchases from other sources, this is about what remains of imports the USSR reportedly can handle during July 1975-September 1976 without overtaxing its transportation network.

Bell went on to explain terms of the new 5-year grain agreement, signed October 20 in Moscow. The agreement provides for yearly Soviet purchases of 6-8 million tons of U.S. wheat and corn during the 5 years beginning October 1, 1976, meaning potential export earnings of $1 billion a year for U.S. farmers. It thus changes heretofore seesawing trade between the United States and the USSR into a more regular, predictable flow, assuring a steadier market for U.S.grains, a more regular supply for the USSR, and a stabilizing influence on the recently jittery world market.

Bell pointed out that in future years U.S. sales of grain to the USSR without prior Government consultation might actually approach around 10 million tons. This is because only wheat and corn are covered in the agreement, leaving untouched such other grains as barley, grain sorghum, oats, and rice.

Bell foresees future possibilities for U.S. grain sorghum in the USSR—where there is a growing interest in grain feeding of livestock—despite a lack of success so far in introducing the product.

Regarding the 1975 Soviet grain crop, Bell said that actual production may total no more than 160 million metric tons compared with 196 million last year and the extremely small 1972 crop of 168 million. This would theoretically leave a deficit of around 50 million tons.

Bell added, however, that the USSR will probably import only around 30 million tons of grain during July 1975-September 1976 owing to limitations of its internal transportation system. As of October 21, around 23-24 million tons had reportedly already been purchased, including about 10 million from the United States and the balance from Canada, Australia, Argentina, Brazil, and Western and Eastern Europe.

Much of the quantity remaining to be purchased will probably come from the United States, according to Bell, who said that some of the other major suppliers have sold as much as they can spare. In fact, large sales to the USSR may already in some cases have limited other exporters' ability to supply traditional customers in Western Europe and Asia. As a result, U.S. sales to these markets could be larger than earlier anticipated.

Specific terms of the grain agreement include:

- Minimum Soviet purchases of 6 million tons a year of U.S. wheat and corn, with shipment starting no sooner than October 1, 1976.
- An option to purchase 2 million more tons of U.S. wheat and corn, provided U.S. grain supply for the given year totals at least 225 million tons. Since this supply figure is below average—the forecast for 1975 supply is 263 million tons—chances of the U.S. crop dipping under it are slim, barring setbacks greater in magnitude than the 1974 corn shortfall.
- The requirement that purchases above 8 million tons be made by the USSR only after consultation with the U.S. Government.
- An escape clause allowing the United States to reduce sales to the USSR should the U.S. grain supply fall under 225 million tons.

In addition, the Soviets agreed to try to space their purchases over the year so as to guard against upsetting commodity markets, as in 1972 when huge purchases were made in a matter of days. Bell reported, however, that this commitment was not as strong as he had hoped and that it thad been a touchy point in the negotiations, with the Soviets not wanting "to go to the supermarket every day."

The agreement also forbids the re-export of U.S. grain to other nations, but does not affect shipments of Soviet grain. Normally, the USSR is a sizable grain exporter in its own right, meeting much of the import needs of Eastern Europe and Cuba.

With the signing of the agreement, the moratorium on U.S. grain sales to the USSR was lifted. It had been in effect since mid-August. However, USDA export reporting requirements will continue for grain sales in excess of 100,000 tons to a single destination, which must be reported to the Department within 24 hours.

Bell said that U.S. export firms are already in Moscow negotiating for the sale of additional U.S. grain from 1975 crops.

Bell called the agreement a response to a "unique situation," in which one country has "such mass purchasing capability." The impact of this trade on the world market has been amply demonstrated in the last 4 years, since the USSR had devastating crop failures in 2 of those years and turned to the world market to make up the deficit. Its 1972 shortfall, of course, launched the recent period of sharply fluctuating grain prices and declining stocks, forcing efforts by importing and exporting nations to stabilize their markets.

At the same time the grain agreement was signed, a letter of intent was signed to conclude an agreement on the sale of USSR petroleum and petroleum products to the United States. The letter of intent contemplates annual USSR sales of up to 10 million metric tons (about 200,000 barrels a day) of oil, with prices to be mutually agreed at levels that will satisfy the interests of both countries.

U.S. Secretary of Agriculture Earl L. Butz, in commenting on the two agreements, stated that, "The assured grain exports to the Soviet Union are large enough to pay for the contemplated purchase of Soviet petroleum and bring in additional foreign exchange that will make it easier for consumers to pay for petroleum from other sources."

Negotiation of the grain agreement and the concurrent negotiations on Soviet oil sales to the United States were coordinated by U.S. Under Secretary of State for Economic Affairs Charles W. Robinson.

West Africa Is Emerging Market for U.S. Poultry

By WILLIAM J. MILLS
Foreign Market Development, Dairy and Poultry
Foreign Agricultural Service

Together, the countries of West Africa, with their expanding populations and rising living standards, constitute a potentially strong market for sales of U.S. poultry and products. Individually, however, market potential varies widely—ranging from excellent in prosperous Nigeria and the Ivory Coast, to fair in Liberia, to relatively weak in Ghana, according to two U.S. poultry marketing specialists who toured these countries in May 1975.[1]

One key to unlocking sales opportunities, they concluded, would be a comprehensive market development program for U.S. poultry—preferably aimed at the total region, rather than individual countries. Such a promotion effort could be mounted through a subsidiary of a large international firm headquartered in London, which already has facilities in Africa for importing, storing, distributing, and retailing poultry products. Concurrently, trade shows, a label clearance program, and new product testing activities could enhance U.S. poultry sales to the area.

For the total area, prospects appear especially good for future U.S. sales of whole birds, parts, and further-processed products—provided that the suggested marketing effort is initiated and that some of the problems now existing can be overcome. Now, for example, volume is too small to interest many U.S. exporters, and transportation and distribution problems are numerous.

Trade sources contacted during the market survey suggest that U.S. poultry exports to these countries, primarily of fowl, could total 3 million pounds during the next 12 months. In 3 years, import requirements could rise to 5 million pounds, and in 5 years, perhaps 10 million. Imports could be even greater if trade barriers are not introduced to protect and encourage domestic production in the wake of rising imports.

Problems that exporters face in West Africa are representative of those incurred in many other small, developing-country markets. For example:

- For the U.S. poultry supplier, the small, infrequent orders do not make brand promotion worthwhile.
- Usually, the U.S. exporter must assemble products from different sources and pay storage costs while awaiting space on ships going to West Africa. The incentive for the exporter to develop the market himself is small, since his profits are limited by the many problems incurred.
- Transportation problems are a major constraint on sales to small markets. In West Africa, importers indicated that the time between order and delivery often exceeds 6 months, owing to time spent finalizing shipping rates, inconsistent scheduling, and unusually long delays in congested ports. As yet, U.S. shipping lines have apparently not been able to make special arrangements with African Governments to expedite unloading by means of express ports.
- Storage and distribution of imported frozen foods, once they arrive at West African ports, can present a problem. In each country, only 2 to 5 importers have adequate facilities for frozen food handling, including shipping, express berth privileges, freezer storage, refrigerated trucks, retail and wholesale storage, and sales and administrative organizations.

Market potential for U.S. poultry and products in the West African countries surveyed depends to a large extent on each nation's economic status, standards of living, and the prices of competing meat products.

Nigeria. Prospects for expanding U.S. exports of poultry and products here are probably the best in West Africa, owing to oil revenues that are propelling the economy upward at a rate of about 10 percent a year. Consumer purchasing power has about doubled during the past year, with buyer preferences tending toward a tough (stewing) chicken—a requirement that could be satisfied by U.S. exports of frozen or canned chicken.

Nigeria's favorable balance of trade—about $8 billion surplus in 1974—has triggered a virtual boom in food imports. To satisfy growing consumer demand, import restrictions on poultry and many other foods were lifted or liberalized last year. Reportedly, several containers of U.S. poultry have been purchased since the restriction was removed. Eggs, however, are still on the prohibited list.

Although Nigeria has a relatively liberal trading system, imported duties on poultry remain high at 50 percent ad valorem equivalent (AVE). Nevertheless, domestic prices for poultry—about $2.60 a pound—still permit U.S. products to be competitive. Domestic poultry prices are high compared with competing meat products, however, because of steep domestic production costs—pushed up by expensive imported feeds. Also, fish prices are some 25-50 percent below those of poultry meat.

Nigeria's two principal ports are Lagos and Port Harcourt. Other ports include Warri, Burutu, Sapele, Calabar, and Koko. Major international shipping lines provide frequent service from North American ports. At the time of the tour, however, ships were backed up 60 to 90 days waiting to unload at Lagos, although special facilities were reportedly available for containerized ships, which could be unloaded immediately after arrival.

At present, Nigeria has two freezer warehouses. But refrigerated trucks are in short supply, so that difficulties may occur in moving frozen food products, including imported poultry, to the country's interior.

Nigeria has a wide variety of natural resources, which permits diversification of production for both the domestic and export sectors. Petroleum predominates, however, accounting for 92 percent of the value of exports during the first half of 1974. By 1979/80, Nigeria's gross domestic product in current terms is projected to reach $35 billion.

Ivory Coast. U.S. export prospects appear especially good for cheaper poultry products—necks and backs—for sale to lower income consumers. For fowl, longer run prospects are not as bright, since Government restrictions may be

[1] **The market survey was conducted by the author and E. H. Driggs of the Poultry and Egg Institute of America.**

enacted to protect domestic egg producers. As the tourist industry develops, however, which seems almost assured, requirements for further-processed poultry products are sure to rise.

In general, the trading system is relatively liberal. Import licenses are required for poultry, but are issued freely. Import duties on poultry include a 20-percent fiscal duty and a 5-percent customs charge, with a value-added tax of 19 percent of c.i.f. value, including fiscal and customs duties, also charged. Even so, these duties do not restrict imports to a great extent, since domestic poultry prices are about $2 a pound—competitive with other meat products.

The Ivory Coast is a small market for poultry sales—just 400,000 pounds a year—a level likely to remain about the same next year. France traditionally provides over 95 percent of poultry imports and 40 percent of all imports. Other major import suppliers are West Germany, the United States, and Italy.

A major market development effort will be needed to increase the market for poultry, and the U.S. share of that market. U.S. exporters face a number of problems, however, including the necessity of doing business in French. Cold storage facilities are limited, and trade links are strong with established suppliers, primarily France.

On the other hand, the Government places a very high priority on developing a tourist industry and would like the Ivory Coast to become known as the African Riviera. They have contracted with a Swiss firm for a complete development plan, which calls for 4,000 hectares of land east of the city of Abidjan, to become an international tourist destination area and dispersal center, integrated into a garden city for 120,000 inhabitants.

Abidjan is the principal port and railhead, not only for the Ivory Coast, but for landlocked Upper Volta and to a lesser extent for Mali and Niger. Other ports are San Pedro, Sassandra, and Tabou. A deep-water port has been created in Abidjan by cutting a canal through the sandbar to the lagoon around which the city is built. The port can currently handle 20-foot containers and plans call for a completely containerized port. Major shipping lines provide frequent service to the Ivory Coast from North American ports.

Since independence in 1960, the Ivory Coast has sustained a remarkable record of economic growth. Although the economy was disrupted in 1974 by the global price increases for petroleum and grains, as well as higher prices for other imports from developed nations, the economy showed a remarkable 13 percent real growth. This rise was due largley to strong world prices for the Ivory Coast's principal exports—coffee and cocoa. For 1975, the economic outlook is mixed and will depend on whether world prices for Ivorian exports remain high and whether recovery occurs in the timber industry.

Liberia. At best, the market for poultry is small at about 350,000 pounds, with the United States traditionally supplying 50 percent, and Denmark and the Netherlands the remainder. Poultry imports may slump below this level next year, however, owing to strict import licensing regulations enacted last January and a continuing economic slowdown.

"Individually, market potential varies widely—ranging from excellent in prosperous Nigeria and the Ivory Coast, to fair in Liberia, to relatively weak in Ghana."

For the future, a market development program could boost U.S. sales, particularly for further-processed products. Although Liberia could use cheaper U.S. parts and fowl, current import prospects are not too bright.

Although Liberia's import system is relatively open, the Government does protect infant industries, including poultry. Efforts to expand the domestic poultry sector—there are only two modern poultry operations at present—have led to the new import licenses, which are not freely issued. Reportedly, licenses for imports of poultry parts are easier to obtain.

Import duties on chickens—fresh, chilled, or frozen (including parts)—are 30 cents per pound. For cooked, preserved poultry, the duty is 20 cents per pound or 40 percent AVE—whichever is higher. Although these duties are high, they do not, in themselves, preclude trade, since domestic poultry is priced at over $1.30 per pound and competing meat products are about 50 percent higher.

Liberia does not have much of a tourist industry at present. The country's infrastructure will need to be improved greatly to develop such an industry, which has a low Government priority.

Although Liberia has no large natural harbors, the Free Port of Monrovia has adequate deepwater facilities. The port of Buchanan handles mainly iron ore; Greenville and Harper are used mainly as timber export centers. Major shipping lines provide frequent service from North America, but container handling facilities and cold storage capacity are limited.

The Liberian economy is experiencing zero growth, if not worse. The subsistence agricultural economy, which produces rice, cassava, and yams for domestic consumption and palm products for export, contributes about 10 percent of the national product, while supporting about three-fourths of the population.

Ghana. U.S. prospects for increasing poultry and product exports in the near future appear poor, owing to four major constraints: Severe foreign exchange shortages, the Government's policy of self-sufficiency in food production, strict import licensing, and Government involvement in various aspects of domestic poultry production.

Ghana's difficult foreign exchange position is largely the result of high world petroleum prices. In 1974, the Government issued more import licenses than the economy could afford. This year, import growth is being strictly regulated through import licensing and foreign exchange allocation systems. To conserve foreign exchange, the unused portion of import license quotas issued for 1974 was cut in half last September.

Imports of frozen poultry are currently running at about 38,000 pounds a year, supplied mainly by the Togo Republic, and the outlook is for not much change in the next several years. One limiting factor is the Government's effort to reduce all food imports through a new program called "Operation Feed Yourself."

Although poultry is on the list of banned imports, U.S. exporters might be able to get further-processed products into Ghana classified as meat products. One of the biggest poultry outlets indicated that it could bring in canned poul-

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World Food Progress—A Year After the Rome Conference

By RALPH W. PHILLIPS
International Organization Affairs
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The Food and Agriculture Organization of the United Nations will convene its biannual conference in Rome, November 8-27—1 year after the World Food Conference held in the same city.

THE YEAR that has passed since the World Food Conference has seen a growth in interest in the world's food problems and in proposals to alleviate them. Given the complexity of the many problems, progress has been considerable.

There have been a number of new initiatives based on recommendations of the Conference. Many of the recent actions reflect extensions of activities that were already underway or planned by the Food and Agriculture Organization of the United Nations (FAO).

FAO is proposing that its biennial budget for 1976-77 be increased to $167 million, compared with $106.7 million for 1974-75, and the FAO Conference this month will vote on that proposal. A little less than half the increase can be attributed to inflation, while the remainder represents actual program expansion. FAO's funding for its Regular Program comes directly from contributions by its Member Nations.

The fact that governments at the World Food Conference recognized the need for increased food production and better storage, processing, and distribution no doubt provided the impetus for FAO to make these extensive proposals and to take additional new approaches. In a sense, the importance of food as an international issue was discovered at the World Food Conference.

Actions during the past year have been aimed primarily at developing organizational frameworks and program and budgetary provisions in the international sphere. It now remains for countries to take necessary actions, with assistance from FAO and other international organizations, if real progress is to be made in coping with the world's food problems.

The following is a review of most of the more important activities related to the world food situation since last year's Conference.

World Food Security. The World Food Conference endorsed FAO's proposal for an International Undertaking on World Food Security. The proposal arose out of concern over the adequacy of grain reserves after the grain shortage of 1972/73.

The FAO Undertaking, which calls for the establishment of a world network of national grain reserves, was sent to FAO members and other interested governments for acceptance. As of September 1975, 54 countries, including the United States and the European Community, had indicated their acceptances.

Two countries, the People's Republic of China and Thailand, gave negative replies. The 54 countries that have replied are responsible for about 85 percent of world grain production.

An Ad Hoc Consultation on World Food Security was convened by FAO in Rome last May to review progress on the Undertaking and to make proposals for further action.

Still under consideration is a proposal for the establishment, by the FAO Council, of a Committee on World Food Security, either as a new committee or as a part of a restructured Committee on Commodity Problems. Final action will be taken at the upcoming FAO Conference.

ANOTHER PROPOSAL, separate from but related to the Undertaking on World Food Security, is a U.S. plan for international grain reserves. The United States presented its plan for a 30-million-ton world grain reserve at a preparatory group meeting of the International Wheat Council in London last September.

Most of the countries present at the meeting endorsed the U.S. proposal as a good starting point, but felt that 1977 would be the earliest that such a plan could be implemented. Among the problems still to be resolved is the consideration of a trigger price or volume at which the reserves would be released on the world market.

International Agriculture Adjustment. For several years FAO has been discussing ways by which developing countries might obtain greater access to world markets for their farm products and make progress toward satisfying their own nutritional needs. The World Food Conference also took note of this matter, and stressed the need for governments to work together for greater consistency in their national and regional agricultural policies.

An FAO Working Party on International Agricultural Adjustment met in Rome last May to review and revise proposed guidelines for national farm policies. The guidelines will be considered at this month's FAO Conference.

Nutrition. The World Food Conference placed considerable stress on policies and programs to improve nutrition, and FAO is following up with particular emphasis on nutrition planning. An Ad Hoc Committee on Food and Nutrition Policies met in Rome last June.

FAO, in its proposed 1976/77 budget, has asked for an additional $1.1 million for work on nutrition planning and for initiation of a system of nutrition surveillance.

Warning System. The World Food Conference endorsed FAO's development of a Global Information and Early Warning System, based on already extensive statistical collection and publication activities. The System is already in partial operation and FAO is moving ahead rapidly in the System's further development.

World Food Program. The World Food Program (WFP) is a joint undertaking of the United Nations and FAO that has been in operation for over a decade. A pledging target of $750 million for 1977-78—70 percent more than the 1975-76 target—was agreed on by the Intergovernmental Committee for the World Food Program.

The 24-member Intergovernmental Committee is to be expanded into a 30-nation committee, with broader terms of reference, including food aid policies. Assuming the expansion is approved by the FAO Conference and the U.N. General Assembly, the reconstituted committee will probably hold its first session about March 1976.

Fertilizers. FAO's International Ferti-

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CROPS & MARKETS

GRAINS • FEEDS • PULSES • SEEDS

South Africa's Corn Exports Increase. The 17 percent devaluation of the South African rand on September 22 has greatly improved that country's competitive position in the world corn market—especially in Japan. South African yellow corn was tendered at $148.50 per metric ton, c. & f. Japan, on September 10, when U.S. No. 3 yellow corn, c. & f. Japan, was around $140 per ton. On October 1, South African yellow corn was tendered at $144 per ton, c. & f. Japan compared with $143.55 for U.S. No. 3 yellow corn. South African corn is mostly of the hard, flinty varieties, which are preferred by corn products industries.

South Africa's corn exports to Japan during January-September amounted to 1.6 million tons of yellow and white, corn compared with 1 million tons for the same period in 1974. These increased corn exports from South Africa are mainly tending to displace corn from the United States. U.S. corn exports to Japan were 6.9 million tons in 1973/74 (July-June), but declined to 5.1 million tons in 1974/75. South Africa harvested 11.1 million tons of corn in 1974, 9.5 million in 1975.

Rotterdam Grain Prices and Levies. Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	Oct. 24	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-13.5	5.93	−8	6.64
USSR SKS-14	(1)	(1)	(1)
French Feed Milling 2	3.65	+10	(1)
U.S. No. 2 Dark Northern Spring:			
14 percent	5.21	−2	6.36
U.S. No. 2 Hard Winter:			
13.5 percent	5.09	−4	6.29
No. 3 Hard Amber Durum	6.37	−1	8.43
Argentine	(1)	(1)	(1)
U.S. No. 2 Soft Red Winter	4.31	+11	(1)
Feedgrains:			
U.S. No. 3 Yellow corn	3.24	−8	4.27
French Maize 2	3.37	−4	(1)
Argentine Plate corn	3.75	−6	4.47
U.S. No. 2 sorghum	3.20	−4	4.21
Argentine-Granifero sorghum	3.27	−3	4.25
U.S. No. 3 Feed barley	3.32	−4	3.65
Soybeans:			
Brazilian	5.84	−12	(1)
U.S. No. 2 Yellow	5.54	−15	9.11
EC import levies:			
Wheat	.75	+10	0
Corn	.73	+9	0
Sorghum	.74	+7	0

1 Not quoted. 2 Basis c.i.f. west coast, England
NOTE: Price basis 30- to 60-day delivery

Japan's Rice Crop Estimate Up. As of September 15, Japan's 1975 rice crop was estimated at 12.9 million metric tons, and may be even greater if favorable growing conditions continue. The current estimate, 5 percent above 1974 production, indicates the largest crop since 1969.

TOBACCO

EC To Increase Flue-Cured Quota. The European Community is expected to increase its generalized-system-of-preference (GSP) tariff quota for imports of flue-cured tobacco in 1976 by 20 percent to 36,000 metric tons—possibly to as much as 45,000 tons. Also, the preferential duty on imports within the quota is expected to be lowered to 10.5 percent, compared with the most-favored-nation (MFN) rate of 23 percent. Imports under the quota would be allocated among EC members, with the United Kingdom share at 65 percent of the total. India is to supply about 70 percent of imports under the quota.

Italy Sells Some Tobacco Stocks. Stocks of certain 1970 and 1971 Italian tobacco varieties held by AIMA, the Italian intervention agency, have been sold for export through the European Community Commission's tender invitation. Of the 21.3 million pounds (packed) offered for sale, bidders purchased 19.6 million pounds. The unsold varieties were mainly 1970 crop Beneventano and Italian-grown Maryland leaf. German, Swiss, and Liechtenstein leaf dealers were the successful bidders. Discounts ranged from 60 to 86 percent, based on a comparison of prices paid by successful bidders and the intervention prices. AIMA's income from the sale is about $7 million, although the agency originally purchased the tobacco for about $20 million. The low cost to the successful bidders will permit export of the tobacco at extremely favorable prices.

FRUIT • NUTS • VEGETABLES

Italian Walnut Crop Estimate Up. Italy's 1975 walnut production is estimated at 18,000 metric tons (in-shell basis), 38 percent more than last year's poor crop but barely above the previous 5-year average of 17,800 tons. This year, the nuts are much below normal in size and large walnuts are virtually nonexistent because of the large number of walnuts per tree and the dry summer. Producer prices for Sorrentos are down about 10 percent from quotations at this time last year. Pressure of import contracts and the large crop are important factors contributing to the current price level.

Preliminary estimates place Italian walnut exports at 3,500 tons (in-shell basis) during 1974/75, 41 percent below the previous year's level. The decline is primarily a result of low output in 1974. West Germany, Belgium-Luxembourg, France, United Kingdom, Austria, and Libya were the major buyers. In the coming year, exports are forecast at 6,500 tons, up 86 percent from those of the 1974/75 estimate. Much of the expected increase can be attributed to a large 1975 crop and a lessening of competition from France and China. Italy's only competition this year seems to be the United States. Italian exporters are paid approximately $108 per metric ton for sales to third countries, while the European Community is protected by a customs duty of 8 percent.

Italy imported about 2,700 tons (in-shell basis) of walnuts during 1974/75, compared with 1,000 tons the year before. Imports during 1975/76 are forecast at 2,000 tons, with the United States—the major supplier in the previous year—expected to be the sole supplier. The Italian trade reportedly took advantage of declining prices in the United States, and is already committed to a large volume of business from California. The walnuts bought by the Italians are mainly jumbo and large types and have encountered ready acceptance with the Italian consumers during the past 3 years.

OILSEEDS • PRODUCTS

Soviets Buy Brazilian Soybeans. The Soviet Union has purchased 500,000 tons of soybeans from optional origin through a multinational company in Western Europe. Brazilian soybeans currently are fulfilling the contract. Brazil does not have an official record of the export registration because the purchases are being made in Brazil for delivery to Western Europe. Transshipment to the USSR is to follow.

Nigeria's Peanut Estimate Lowered. Nigeria's 1975 commercial harvest of peanuts is forecast at 300,000 metric tons in shell, up only 75,000 tons from last year's poor crop. Earlier, a modest outturn of at least 600,000 tons had been expected. Planted area is now throught to be below last year's because of a shortage of seed, unpopular financing arrangements, and higher returns offered by alternative food crops. Because of pest and disease infestations, yields are expected to be disappointing, despite generally favorable rainfall.

Nigeria, formerly one of the world's leading exporters of peanuts and peanut products, exported only 43,400 tons of peanuts in 1974. Exports of peanuts in 1975 and 1976 are not expected to be significant. Exports of peanut oil in 1974 totaled 25,500 tons, but have been negligible so far in 1975. Oil exports will resume in quantity only if world prices increase substantially or if the Nigerian Government lowers prices charged to exporters.

LIVESTOCK • PRODUCTS

Canada Tightens Cattle Import Rules. The Canadian Government on October 27 tightened its import regulations applying to blue tongue and anaplasmosis diseases in cattle. One effect of these new animal health regulations will be tighter restrictions on imports of U.S. feeder cattle by Canada.

Japan To Set Beef Quotas. Japan's Agriculture and Forestry Minister, S. Abe, has indicated his intent to set an additional beef import quota of at least 10,000 metric tons in the near future. This amount would bring total allocations for Japan's ficsal 1975/76 (April-March) to more than 44,000 tons. The additional imports would be used to meet seasonally higher demand in December and to check the rise in domestic meat prices.

EC Proposes CAP for Sheepmeat. The European Community Commission has presented a draft Common Agricultural Policy for sheepmeat. A final regulation would be preceded by a 2-year transitional marketing regulation. EC sheepmeat production was 470,000 tons in 1974. Imports from third countries were about 230,000 tons. Imports were down about 100,000 tons from those of 1973 and production up slightly. Australia and New Zealand are the principal third-country suppliers.

Italy Authorized To Import Cattle. The European Community Commission will allow Italy to import 30,000 head of feeder cattle between October 1, 1975, and January 1, 1976. Between May 15 and September 30, 1975, the Commission permitted Italy to issue import licenses for about 67,500 head of feeder cattle. Before the EC beef embargo went into effect, Italy's annual imports of feeder cattle were usually over 500,000 head.

Argentine Cattle Producers End Strike. The withholding of cattle from market during the recent Argentine cattle producers' strike resulted in short supplies and higher prices. The day following the strike, export-type steers were sold from 9.14 to 11.75 pesos per kilo on the hoof. Before the strike, prices were in the 7-8.50 pesos-per-kilo range.

EC Tightens Beef Import Embargo. On September 1, the European Community removed seasoned beef from the list of products that may be imported without import license. Licenses for beef have been tightly controlled since the beef embargo of July 1974. The EC Commission found that importers were using the seasoned-beef category as a loophole to bring in fresh beef for processing or manufacturing. As of September 1, only prepared or preserved beef in 5 kilogram, or smaller, hermetically sealed containers and cooked frozen beef in 7 kilogram, or smaller, hermetically sealed containers may be imported without a license.

DAIRY • POULTRY

U.K. Bolsters Dairy Program. The U.K. Ministry of Agriculture on September 29 made available about $15 million in emergency support funds for British dairy farmers to curtail the sharp rise in dairy cattle and calf slaughter and prevent milk shortages later this year. Spread over the rest of the U.K. dairy marketing year (October-March), this payment represents about 10 U.S. cents per 100 pounds. The Ministry notes that this move falls far short of dairymen's requests for an additional $1.57 per 100 pounds, which the industry claims is the minimum needed to restore confidence and reverse the downtrend in milk production and dairy herds.

Some EC Egg Levies Cut, Others Raised. The European Community on October 12 reduced the supplementary levy on dried eggs from 150 units of account per 100 kilograms (about 84 U.S. cents per pound on the German market) to zero. This move still leaves, however, a variable levy of about 26 cents per pound on dried eggs. At the same time, the levy was reduced from 40 to 20 u.a. per 100 kg on dried albumin—an equivalent reduction of from around 22 to 11 cents per pound. On the other hand, the levy on frozen egg yolks was increased from 60 to 80 u.a. per 100 kg, the equivalent of from around 34 to 45 cents per pound.

EC Reduces Some Cheese Subsidies. The European Community subsidy on cheese exported to the United States on October 3 was reduced by amounts ranging from about 1

to 8 U.S. cents per pound, applicable to all cheeses except those for which the export subsidy was set at zero under the countervailing duty waiver of April 1975. As a result of this decrease, export subsidies on all cheeses to the United States are now at or below the rate in effect before the September 16 increase. Subsidies were also reduced on cheese exports to Canada, but remain unchanged for all other destinations. The EC Commission indicates that the reduction is based on the strengthening of the U.S. dollar and domestic cheese prices in the United States and Canada.

West Germany Takes More U.S. Poultry Meat. U.S. exports of poultry meat to West Germany have rebounded sharply in second-half 1975, following the relatively low level of shipments in the January-June period that was mainly caused by the European Community's high and frequently changing supplemental levies on poultry products. Through August, U.S. poultry meat exports were 5 percent higher than for the same period of 1974—a gain resulting almost entirely from increased exports of whole turkeys that occurred because of reduced supplementary levies. In first-half 1975, Germany's imports of U.S. turkey thighs were 91 percent below the year-earlier level and imports of drumsticks were 16 percent lower than in the same period of 1974.

U.S. Poultry Meat Exports Up. U.S. exports of chilled and frozen poultry meat totaled 123 million pounds in the first 8 months of 1975, an increase of 7 percent over the 115 million pounds shipped in the same period of 1974. Value was up 47 percent.

The rate of gain in the volume of exports has changed significantly in recent months, compared with the corresponding period of 1974. Through July, poultry meat exports had totaled 106 million pounds, compared with 102 million pounds in the comparable 1974 period—a gain of only 4 percent.

Exports to the European Community in the first 6 months of 1975 were 20 million pounds, compared with 18 million pounds in the year-earlier period—an increase of 11 percent. The gain in shipments to the EC is almost entirely in whole turkeys.

The high and frequently changing EC supplementary levies on imported poultry meat have kept these U.S. exports to EC countries at a relatively low level. Of total January-August U.S. exports of chilled and frozen poultry meat, EC countries received only 16 percent, with West Germany receiving 66 percent of the total. Turkey meat exports to the EC make up 95 percent of all U.S. poultry meat exports to that area. Other important U.S. poultry meat markets in the EC are Italy, which took 18 percent of the total; the United Kingdom, 12 percent; and the Netherlands, 4 percent.

Hong Kong took 13 percent of 1975 U.S. poultry meat exports through August, although at 16.4 million pounds this market is down 19 percent from the year-ago level.

Japan imported 12 percent of 1975 U.S. poultry meat exports in the first 8 months. However, Japan's imports at 14.6 million pounds are 17 percent below the comparable 1974 total.

Caribbean countries took 36.6 million pounds of U.S. poultry products through August—an increase of 29 percent over the year-earlier level.

Chicken parts account for most of the U.S. poultry meat trade with Hong Kong, Japan, and Caribbean countries.

SUGAR • TROPICAL PRODUCTS

Record World Cocoa Bean Crop. World cocoa bean production for the October-September 1975/76 season is forecast at a record 1,595,800 metric tons, 6 percent over the 1974/75 harvest of 1,509,600 tons and nearly 2 percent larger than the previous alltime high of 1,571,000 tons in 1971/72.

Reflecting favorable growing conditions, African production is forecast to increase by 11 percent over that of 1974/75 to 1,089,800 tons. However, South American production is expected to be off by over 7 percent to 357,600 tons because of anticipated smaller crops in Brazil and Ecuador. North American production is forecast to increase by 9 percent to 90,700 tons, reflecting prospects of a larger harvest in the Dominican Republic. A record crop of 57,700 tons is forecast for Asia and Oceania as a result of larger output in Malaysia and Papua New Guinea.

Production in thousand tons for major producing countries (1974/75 data in parentheses): Ghana 412 (375), Nigeria 260 (210), Brazil 237 (263), Ivory Coast 235 (233), Cameroon 114 (110), Ecuador 70 (77), Dominican Republic 35 (28), and Papua New Guinea 32 (30).

COTTON

No Cutback in Pakistan's Cotton Crop. In contrast to most other Northern Hemisphere cotton exporting countries that are planning to grow less cotton in 1975/76 than in the previous year, Pakistan expects to produce a 1975/76 cotton crop near last season's estimated outturn of 2.9 million bales. With raw cotton and cotton textile exports among Pakistan's major foreign exchange earners, the Government encouraged normal cotton planting this season despite last season's depressed world textile demand. While its yarn and cloth exports were down last season, Pakistan through aggressive marketing policies, including indirect export subsidies, was able to ship about 1 million bales—nearly all its exportable surplus. Most other major exporting countries were left with unusually high carryover stocks.

Higher projected mill conumption in 1975/76 is expected to reduce Pakistan's exportable surplus this season by perhaps 200,000 bales.

Early October asking prices c.i.f. Europe for qualities comparable to SLM 15/16″ averaged 56.25 cents per pound, while the most recent quote from Japan (mid-September) was about 46 cents. Export sales of 1975/76 growths totaled around 125,000 bales through October 9, 1975.

U.S. Cotton Prices Decline in Europe. U.S. c.i.f. cotton quotations for California/Arizona SM 1-1/16″ dropped 6 cents on the northern European market in the week ending October 16 to close at 61 cents per pound. As recently as October 9, U.S. SM 1-1/16″ quality averaged 12 cents above comparable foreign styles. After world prices turned up in February, U.S. and foreign growths moved up together until foreign average values reached 54-56 cents, where they plateaued.

CORRECTION: Canada's cultivated 1975 potato area was 25,300 acres smaller than 1974's ("Candian Potato Crop Revised Upward," October 27, 1975, issue, page 14).

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World Food Progress

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lizer Supply Scheme, initiated in July 1974, reported pledges up to September 1975 totaling $123 million. The Scheme will probably be rather short-lived, however, because most countries that donate fertilizers have continued to do so through bilateral arrangements, and the fertilizer situation has generally eased since the Scheme was set up.

The 2-year-old FAO Commission on Fertilizers has held two sessions, in July 1974 and June 1975, where it provided a forum for exchange of information, and for stimulation of action by governments and international organizations regarding fertilizer supplies and manufacturing facilities.

Pesticides. The World Food Conference urged action to alleviate the short supply of pesticides. Some relief came from an unexpected source: A drop in cotton prices and subsequent falloff in plantings reduced use of insecticides and eased the overall supply situation. About half the world's insecticides are used on cotton.

FAO's Ad Hoc Government Consultation on Pesticides in Agriculture and Public Health last April made several proposals for strengthening FAO's Program of Work in this regard, and for some changes in FAO's committee structure to provide advice on pesticide matters.

Seeds. The World Food Conference stressed the need for more attention to the problem of inadequate seed industries in many countries. FAO is assembling information on seed industry progress in developing countries for an "FAO Seed Review, 1974/75."

FAO has also proposed increased resources for seeds work in its 1976-77 Program of Work and Budget.

Tsetse Fly Control. The World Food Conference endorsed an FAO sponsored program for the control and elimination of the tsetse fly as a first step toward agricultural development of large areas of Africa. The fly's presence, and trypansomiasis which it transmits, effectively inhibits cattle raising and farming in general.

FAO has budgeted $860,000 for planning and coordination of the program and is seeking additional contributions for the actual work.

Research and Training. The World Food Conference placed considerable emphasis on the need for strengthening research, extension, and training activities in all countries, and FAO has increased its Program of Work in these areas for 1976-77.

The Consultative Group on International Agricultural Research—founded in 1973 by FAO, the World Bank, and the United Nations Development Program—is working to increase support for existing international institutes, and to develop new research organizations to tackle critical problems.

World Food Council. At the recommendation of the World Food Conference, the U.N. General Assembly established, as an arm of the United Nations, a World Food Council. Its purpose, among others, is to achieve greater international political support for increasing food production and utilization.

The Council's first session, held in Rome last June, was rather unproductive. Some members used the occasion to attempt to achieve various political objectives, and there was minimal opportunity to focus on what the Council might usefully do. The Council will convene again probably in March 1976.

International Fund. Three preparatory meetings have been held toward creation of an International Fund for Agricultural Development. The fund was proposed at the World Food Conference for the purpose of providing a mechanism through which some of the newly found wealth of the OPEC (oil producing and exporting) countries might be channeled toward agricultural development.

Although considerable interest has been expressed, and some concrete support promised, it is not yet clear whether enough money will be contributed to justify the formation of a fund. If sufficient support is indicated, a formal move to establish the fund may be made in 1976.

West African Poultry

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try products, and there may be some prospects for canned fowl sales. But the low priority placed on the tourist industry by the Government suggests that imports of further-processed poultry would grow very slowly, at best.

Import duties on frozen poultry are 50 percent AVE, which still allows imports to be competitive, since domestic poultry prices are about $1.39 a pound. However, local fish prices are substantially lower.

Ghana has no natural harbors, but has two major ports, Takoradi and the new deepwater port of Tema, one of the finest in West Africa. Neither can handle container shipments. But cold storage facilities, constructed for the domestic fish industry, are available.

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